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No. 95-549

(5)

IN THE
Supreme Court of the United States
OCTOBER TERM, 1995

JENNIFER DUMAS, *et al.*,
Petitioners,

v.

PLAYBOY ENTERPRISES, INC., *et al.*,
Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Second Circuit

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BRIEF IN OPPOSITION

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BRIEF IN OPPOSITION

The petition for certiorari paints this case as a departure from settled law respecting the writing requirement for works for hire under Section 101(2) of the Copyright Act of 1976, 17 U.S.C. § 101(2). It is nothing of the sort. To the contrary, the Second Circuit interpreted the "work for hire" provision in a straightforward manner that is faithful to its text, legislative history and prior decisions of this Court, with due sensitivity to the practical need to apply that provision across a wide range of diverse factual settings. The court's opinion is careful, balanced and well reasoned, and does not warrant review by this Court.

STATEMENT OF THE CASE

A. The Facts.

The petition for certiorari misstates critical facts, and thereby creates a misleading impression both of the nature

of the relationship between the artist Patrick Nagel and respondent Playboy Enterprises, Inc. ("Playboy"), and of the record on which the Second Circuit decided this case.

The work-for-hire issue arises out of a dispute between a corporation formed by Nagel's widow and *Playboy* magazine, over ownership of the reproduction rights in some 300 illustrations Nagel prepared on assignment from *Playboy* magazine between 1974 and Nagel's death in 1984. During his lifetime, Nagel never asserted any interest in, or sought to republish, any of the illustrations he prepared for *Playboy*. Several years after his death, his widow, petitioner Jennifer Dumas, asserted ownership of the copyright in these works, claiming that *Playboy* had obtained only one-time reproduction rights.

During the decade preceding Nagel's death in 1984, he produced approximately 300 illustrations for publication in *Playboy* magazine. (Record on Appeal ("A") 19.) It is undisputed that "Nagel accepted assignments from Playboy, created illustrations, and delivered them" for publication. *See* Joint Pretrial Order (PTO), Stipulated Facts (Stip.) ¶ 34 (A-19). Virtually all of the Nagel drawings appearing in *Playboy* were highly stylized renderings of women, and were designed to illustrate features in the magazine. Nagel received his first assignment from Playboy in 1974. At Playboy's request and direction, he produced an illustration to accompany an article on Lillian Hellman. Thereafter, at least one Nagel illustration appeared in every issue of *Playboy* magazine from August 1975 until July 1984. (Pl. Ex. 22, A-1232.)

During the first years of their commercial relationship, Playboy gave Nagel detailed instructions for composing each illustration. Nagel often submitted sketches or "pencil roughs" of his works for approval. Various Playboy employees also made suggestions and offered advice to help refine Nagel's style. Thereafter, Nagel continued to create illustrations in conformity with the original parameters set by Playboy. The illustrations accompanied

three regular monthly features in the magazine: Playboy Advisor, After Hours and Forum. Nagel delivered illustrations conforming to these parameters each month during his decade-long relationship with Playboy. (Pl. Ex. 22, A-1232.)

According to the stipulated facts:

> . . . [i]t has been the regular and consistent practice of Playboy at all relevant times to seek to acquire from freelance writers, artists and photographers who contribute to *Playboy* magazine all rights, including all copyrights in and to their contributions to *Playboy* magazine and to seek to enter into agreements and relationships under which their contributions are considered to be works made for hire under the U.S. copyright laws.

(PTO Stip. ¶ 23 (A-17).) Playboy's policy was well known in the publishing industry, was reflected in contemporary trade publications (Pl. Ex. 51, A-2671), and was specifically communicated to artists who took assignments from Playboy. (A-446.)

Playboy's standard terms for art assignments were memorialized in check legends. Playboy issued a total of approximately 258 checks to Nagel. Between 1974 and July 1979, 104 checks were issued to Nagel bearing Legend Agreement A, which reads as follows

> Any alteration of this legend agreement voids this check. By endorsement of this check, payee acknowledges payment in full for the assignment to Playboy Enterprises, Inc. of all right title and interest in and to the following items: [a description followed].

(PTO Stip. ¶ 43, A-21; Pl. Ex. 22, A-1232.)

Between September 1979 and March 1981, 60 checks were issued to Nagel bearing Legend Agreement B, which reads as follows:

> Any alteration of this legend agreement voids this check. BY ENDORSEMENT, PAYEE: acknowl-

> edges payment in full for services rendered on a work-made-for-hire basis in connection with the Work named on the face of this check, and confirms ownership by Playboy Enterprises, Inc. of all right title and interest (except physical possession), including all rights of copyright, in and to the Work.

(PTO Stip. ¶ 44, A-21; Pl. Ex. 22, A-1232.)

Between March 1981 and May 1984, 94 checks were issued to Nagel bearing Legend Agreement C, which reads as follows:

> Any alteration of this legend agreement voids this check. IT CONTAINS THE ENTIRE AGREEMENT OF THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITING SIGNED BY BOTH PARTIES. BY ENDORSEMENT, PAYEE: acknowledges payment in full for services rendered on a work-made-for-hire basis in connection with the Work named on the face of this check, and confirms ownership by Playboy Enterprises, Inc. of all right title and interest (except physical possession), including all rights of copyright, in and to the Work.

(PTO Stip. ¶ 45, A-22; Pl. Ex. 22, A-1232.)

It is stipulated that the 258 checks bearing Legend Agreements A, B and C were endorsed and deposited by "Nagel, his corporation, his bank, his representative or his accountant." (PTO Stip. ¶ 34, A-19.) Nagel kept the proceeds from the checks, *id.*, and never sought to alter the terms of the Legend Agreements. (Pl. Ex. 22, A-1232.) There is no evidence or claim that he ever questioned, challenged or attempted to modify the terms and conditions set forth in the Legend Agreements during his 10-year relationship with Playboy. Nagel never affixed copyright notices to any of the 300 works he produced for Playboy. Nor did he ever seek to register copyright in those works. Significantly, however, he did affix a copyright notice to other works that were not published in

Playboy. (PTO Stip. ¶ 69, A-27.) There was, in short, no evidence that Nagel was ever dissatisfied in any way with the terms of his relationship with Playboy.

Nor would he have had reason for dissatisfaction. By appearing in *Playboy* magazine each month, Nagel reached an audience of millions, and greatly enhanced his professional reputation. Nagel's own agent testified that Nagel wanted to appear in *Playboy* for precisely this reason. (Pl. Ex. 53, A-2732.) Another agent testified that artists sought out *Playboy* because it was a "terrific showcase" that often led to additional opportunities. (Tr. 501, A-899.) It was stipulated that Nagel's reputation resulted largely from his appearances in *Playboy* (PTO Stip. ¶ 47, A-22), and over the years his widow earned millions of dollars from reproductions of Nagel's works. (PTO Stip. ¶¶ 29, 30, A-19.)

Playboy's regular payments to artists for works created for use in the magazine from 1974 through 1984 were: $250 per spot illustration; $800 per full-page illustration; and $1,200 per spread. (PTO Stip. ¶ 36, A-20). It was Playboy's standard policy to pay artists a "turn-down fee" for rejected works. (Tr. 58, A-453.)

Nagel was paid in conformity with these policies. (Pl. Ex. 22, A-1232.) On numerous occasions, Playboy paid Nagel a turn-down fee when Playboy decided, on the basis of rough sketches submitted for approval, that it would not publish a particular illustration.[1] The checks paying these fees contained a legend stating: "This check constitutes a 'Turn Down' payment for payee's work," and identifying the particular work for which the fee was paid. (Pl. Ex. 22, A-2153, 2279.) Nagel was also paid for many finished illustrations Playboy chose not to publish. For those illustrations, Nagel received the full price,

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[1] Nagel was paid a turn-down fee in December 1974, October 1975, December 1975, March 1977, June 1978, and September 1979. (Pl. Ex. 22, A-2200, A-2202, 2203, 2211, 2152-53, 2171-72, 2278-79, 2228.)

not the turn-down fee.[2] Thus, over the course of their ten-year relationship, Nagel submitted illustrations on a routine monthly basis for use in conjunction with the Advisor, After Hours, and Forum features, received payment on a routine basis for the illustrations he submitted —whether Playboy published them or not—and from mid-1979 onward, signed Legend Agreements expressly confirming that the works were to be considered works for hire.

In 1989, petitioner entered into agreements with third parties for reproduction of certain Nagel artwork that had previously appeared in *Playboy* magazine. Playboy sued for infringement in the United States District Court for the Northern District of Illinois. The action was settled when the parties entered into a partnership arrangement to market all of Nagel's artwork jointly. The partnership was mutually terminated effective June 1, 1991. (PTO Stip. ¶¶ 61-65, A-25.)

B. The District Court's Decision.

Shortly after termination of the partnership, Playboy brought a declaratory judgment action in the United States District Court for the Southern District of New York, claiming copyright in the Nagel illustrations that had appeared in *Playboy* magazine. Playboy claimed that the illustrations were works for hire under both the 1909 Copyright Act (which applied before 1978) and the 1976 Copyright Act (which applied thereafter), and that Playboy therefore owned copyright as the technical "author" of the works. Alternatively, Playboy contended that Nagel had transferred copyright by virtue of the Legend Agreements.

After a bench trial, the district court held that, notwithstanding the hundreds of legend agreements reciting that Playboy owned all rights in the Nagel illustrations

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[2] Pl. Ex. 22, A-1232.

and that the parties considered the works to be works for hire, Playboy had acquired only one-time reproduction rights in the illustrations. The court therefore ruled against Playboy on the declaratory judgment action, and for petitioner on the infringement counterclaim.

With respect to works delivered prior to January 1, 1978—the effective date of the 1976 Copyright Act—the court applied the Second Circuit's "instance and expense" test for determining whether works by an independent contractor should be considered works for hire under the 1909 Copyright Act. *See Brattleboro Publishing Co. v. Windmill Publishing Corp.*, 369 F.2d 565, 567 (2d Cir. 1966). The court found that the works were created at Playboy's instance, but not at Playboy's expense. The latter conclusion was premised on the court's finding that Nagel "provided his own tools, worked his own hours, hired his own assistants, and paid his own taxes and benefits." (Pet. App. 66a.) Inexplicably, and notwithstanding the undisputed documentary evidence that Nagel repeatedly received turn-down payments, the court also found there was no evidence that Nagel ever benefitted from, or was even aware of, Playboy's turn-down fee for commissioned work it chose not to publish. (Pet. App. 66a.)[3]

The district court also held that the Nagel works submitted to Playboy after January 1, 1978 were not works for hire under the 1976 Copyright Act. Section 101 of the 1976 Act provides that a "work made for hire" includes a "work specially ordered or commissioned for use as a contribution to a collective work . . . if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." 17 U.S.C. § 101. Acknowledging that Nagel's works were contributions to collective works, and that the parties had expressly agreed in written instruments signed

[3] The Second Circuit subsequently ruled that that finding was clearly erroneous. (Pet. App. 12a-13a.)

by both of them that Nagel's contributions were to be considered works for hire, the court nonetheless held against Playboy for two reasons. First, the court concluded that Playboy had not met what it described as the "instance, expense or risk" test. (Pet. App. 70a.) The court acknowledged that Playboy had the right of artistic control in Nagel's works, but concluded that Playboy had not exercised that right, and therefore did not meet the "instance" requirement. (Pet. App. 70a.) The court concluded that Playboy did not meet the "risk and expense" requirement because, again, Nagel supplied his own tools and worked on his own time, and because there was (supposedly) no evidence that Nagel benefitted from or knew of the turn-down fee. (Pet. App. 70a.) Second, the court held that Legend Agreements B and C did not satisfy Section 101(2)'s writing requirement because they were not executed prior to creation of the particular works covered by each Legend Agreement (although they *were* executed prior to creation of all subsequent works). To support this second ruling, the district court relied on the Seventh Circuit's opinion in *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410 (7th Cir. 1992), which had opined that a writing "came too late" to satisfy Section 101(2) unless it preceded creation of the work in question. (Pet. App. 70a-74a.)

C. The Court of Appeals' Decision.

On appeal to the Second Circuit, the case was decided by a panel of Judges Oakes, Winter and Cardamone. The court unanimously reversed the district court on the work-for-hire issues. Applying the 1909 Act to works created before January 1, 1978, the court held that those works should be considered works for hire under the 1909 Copyright Act because they had been created at Playboy's instance and expense. The Second Circuit accepted the district court's finding that many of the pre-1978 works were created at Playboy's instance. But the appeals court overturned as clearly erroneous the district court's

finding that the works were not created at Playboy's expense.

Prior to 1978, there was no statutory requirement of a writing expressly memorializing the work for hire arrangement. Rather, in the absence of a written agreement, establishing that a work was created at the publisher's instance and expense created a rebuttable presumption that it was made for hire. The court held that petitioner had not overcome the presumption, and that the works during the pre-1978 period were works for hire. (Pet. App. 17a.) This holding is not challenged in the certiorari petition.

For works governed by the 1976 Act, the appeals court applied a similar analysis to determine whether Nagel's works were "specially ordered or commissioned" within the meaning of Section 101(2). The Second Circuit again reversed as clearly erroneous the district court's finding that the works were not prepared at Playboy's expense. (Pet. App. 12a-30a.) The court concluded that a factual issue remained as to whether the works were produced at Playboy's instance, and remanded for an inquiry into whether Playboy was the motivating factor in the creation of the works. (Pet. App. 31a-32a.)

The Second Circuit then addressed whether Section 101(2)'s writing requirement was satisfied. The court held that Legend Agreements B and C satisfied the writing requirement set forth in Section 101(2). The court concluded, on the basis of undisputed historical facts, that Nagel and Playboy had a mutual understanding that Nagel's contributions to the Magazine would be considered works for hire, that the Legend Agreements memorialized this understanding, and that the requirements of Section 101(2) were thereby satisfied. As the court explained:

> . . . the parties' *continued use* of Legends B and C is sufficient to show that they intended a work-for-hire relationship. Playboy, by drafting the legends,

> clearly intended the works to be made for hire. For his part, Nagel, by endorsing Playboy's checks below Legends B and C, may be assumed to have consented to a *continuing practice* whereby any works he sold to Playboy would be considered works made for hire. While Nagel's endorsement of Playboy's first check bearing legend B may not evidence his pre-creation consent to a work-for-hire relationship, Nagel's subsequent pre-creation consent to such a relationship may be inferred from his *continued endorsements*. Therefore, beginning with the second check containing Legend B, Nagel's endorsement of Playboy's checks constitutes sufficient evidence that the parties agreed *before* the creation of each work that it would be made for hire.

(Pet. App. 25a) (emphasis added). The Second Circuit took note of the statement in *Schiller & Schmidt* on which the district court had relied, but held that a prior writing was not required by the statutory text, and was unnecessary as a matter of policy in cases such as this one, where there was clear and undisputed evidence of the parties mutual intent *before* creation of the works in question that they be considered works for hire.[4] Requiring such proof, the court concluded, would fully address the policy concerns identified by the Seventh Circuit in *Schiller & Schmidt*. (Pet. App. 21a-23a.)

REASONS FOR DENYING THE WRIT

There is no need for this Court to grant review to address the purported conflict between the decision below and the Seventh Circuit's 1992 decision in *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410 (7th Cir. 1992). The allegedly conflicting portion of *Schiller & Schmidt* was dictum, and that dictum has not been fol-

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[4] Because some of the Legend Agreements had been signed by Nagel's agents rather than Nagel himself, the Court also remanded for further inquiry into whether those agents had authority to act on Nagel's behalf.

lowed in any subsequent published decision. Furthermore, the present case differs from *Schiller & Schmidt* in a critical way: in this case, the Second Circuit concluded, based on undisputed facts, that Nagel and Playboy "agreed *before* the creation of each work that it would be made a work for hire," and that the series of written work-for-hire legend agreements over many years made clear that the parties' mutual and continuing intent was that all such illustrations be considered works for hire. (Pet. App. 25a) (emphasis added). There was no such evidence or factual finding in *Schiller & Schmidt*. The Seventh Circuit therefore never considered how Section 101(2)'s writing requirement should apply in the quite different factual setting presented here.

Review is also unwarranted because the Second Circuit's interpretation of Section 101(2) is correct. Moreover, the decision below is not yet final, and the additional fact-finding ordered on remand may avoid the necessity for resolving or may otherwise affect the question presented. Finally, there is not even an arguable conflict between this case and the other decision cited by petitioner, *Konigsberg Int'l, Inc. v. Rice,* 16 F.3d 355 (9th Cir. 1994), because *Konigsberg* did not involve Section 101(2) at all.

I. NO GENUINE CONFLICT EXISTS BETWEEN THE COURT OF APPEALS' DECISION IN THIS CASE AND THE SEVENTH CIRCUIT'S DECISION IN *SCHILLER & SCHMIDT, INC. v. NORDISCO CORP.*

In *Schiller & Schmidt, Inc. v. Nordisco Corp.*, the Seventh Circuit did state that the writing required by Section 101(2) "must precede the creation of the property." But despite this broad language, there is no genuine conflict between the Second and Seventh Circuits that would warrant review at this time. The cases involved dramatically different facts, and the Seventh Circuit's discussion

of the writing requirement was plainly dictum. Thus, it is not at all clear that even the Seventh Circuit itself would deny work-for-hire status on the facts presented here. Because of that uncertainty, and because no reported decision has adopted *Schiller & Schmidt*'s dictum regarding Section 101(2), there is little reason for this Court to consider the issue now.

Schiller & Schmidt involved a dispute over the copyright in 18 photographs taken prior to 1983. The photographer, an independent contractor, had been commissioned by Schiller & Schmidt to prepare the photographs for use in a merchandise catalogue. The photographs were subsequently misappropriated by a former employee of Schiller & Schmidt, and used in a rival catalogue. 969 F.2d at 411. Schiller & Schmidt sued for infringement. In the course of litigation, they obtained a written statement from the photographer that he "agreed that Schiller and Schmidt has owned the copyright" in the photographs. *Id.* at 412. Unlike this case, the writing was *not* signed by Schiller & Schmidt, did *not* expressly state that the works were to be considered works for hire, and was executed more than 5 years after the 18 photographs were created.

On these facts, the Seventh Circuit held that the 1988 writing failed to satisfy Section 101(2), noting that "[t]he statement was not signed by Schiller . . . as the statute required if the photos were to be works for hire." 969 F.2d at 412. The court then stated—without *any* analysis of the text or legislative history of Section 101(2), or of prevailing practice in the affected industries —that the writing was also invalid because it did not "precede the creation of the property." *Id.* at 413. In any event, the court held, Schiller & Schmidt lacked standing to allege infringement because the company had previously assigned any copyright it may have held in the photographs to a third party as part of the sale of its catalogue business. *Id.* at 414.

Interpreted in light of these facts, the Seventh Circuit's statement that the writing required by Section 101(2) "must precede the creation of the property" does not present a genuine conflict with this case. To begin with, that statement was dictum. Wholly apart from when it was signed, the writing at issue in *Schiller & Schmidt* was rejected by the Seventh Circuit because it did not meet either of Section 101(2)'s express requirements. It was not signed by both parties, and it failed to state that the covered works were made for hire, thus violating the statutory requirements that "the parties *expressly* agree in a written instrument signed *by them* that the work shall be considered a work made for hire." 17 U.S.C. § 101(2) (emphasis added). Indeed, Schiller & Schmidt did not even have standing to assert a copyright violation because it had assigned all copyright to a third party as part of the sale of its business some years before the lawsuit. 969 F.2d at 413.

Moreover, the Seventh Circuit's actual ruling on the timing issue was much narrower than the court's expansive language suggests. The writing at issue was executed more than 5 years after the covered works were created, and after litigation had begun. Unlike this case (where contemporaneous writings were executed just after each work was created), there was no evidence or finding that the parties had mutually agreed *prior* to creation of the works that they would be considered works for hire. Indeed, even the subsequent writing prepared in 1988 did not specify that the works at issue were to be considered works for hire. In short, in *Schiller & Schmidt* there was *no* evidence—either contemporaneous or after-the-fact—that the parties *ever* intended a work-for-hire relationship.

Thus, even if the Seventh Circuit's statement that the writing "came too late" to satisfy Section 101(2) is considered a holding rather than dictum, it is not truly in conflict with the Second Circuit's decision here because it would not control the outcome on the facts of the

present case. The Second Circuit identified a critical fact —the existence of a contemporaneous and continuing understanding between the parties that the illustrations at issue were works made for hire, expressly manifested in a continuing course of conduct involving more than a hundred individual written agreements signed by both parties. That factual situation was not present in *Schiller & Schmidt,* and thus was not considered by that court. This distinction is crucial because the risks identified by the Seventh Circuit simply are not present where, as here, clear evidence exists that the parties had a pre-existing and continuing agreement that the series of works in question would all be made for hire, and contemporaneously memorialized that agreement when each such work was delivered to the publisher.

Moreover, this Court should not grant review irrespective of whether the Second Circuit's decision technically conflicts with *Schiller & Schmidt.* Petitioner has been unable to point to any decisions following *Schiller & Schmidt,* and there appear to be no other reported decisions rejecting a writing as inadequate under Section 101(2) on the ground that the writing must in all circumstances precede creation of the work. In the two decades since passage of the 1976 Act, the question presented here has not been passed upon in any case other than this one and, in dictum, in *Schiller & Schmidt.* As demonstrated, the facts of the two cases differed in critical respects, and these factual differences explain the divergent outcomes. Any conflict in approach between the two decisions is tolerable, and this Court should await further developments before deciding whether this issue needs to be addressed on the merits.

II. THE SECOND CIRCUIT'S INTERPRETATION OF SECTION 101(2) IS BOTH CORRECT AND CONSISTENT WITH PREVAILING PRACTICE IN THE INDUSTRIES TO WHICH SECTION 101(2) APPLIES.

Review is also unwarranted because the Second Circuit's interpretation of Section 101(2) was correct. Far from creating uncertainty as to the meaning of Section 101(2), the Second Circuit reaffirmed its proper construction. The court's ruling is likely to contribute to stability and uniformity in the application of this provision.

The statutory text does not by its terms require a writing prior to the creation of a work made for hire. It states that works in a particular category are works for hire if they are specially ordered or commissioned and the parties sign a writing stating the work "shall be considered a work made for hire." As both the district court and the Second Circuit recognized in this case, that language looks both forward and backward. (Pet. App. 201-23a (Second Circuit); 71a (district court)). A writing can stipulate that a work "shall be considered a work for hire" either before or after the work is created. So long as the work is specially ordered or commissioned, and the parties have agreed that it should be considered a work for hire, they need only memorialize that agreement in a writing signed by both of them.

This conclusion is confirmed by the many subsequent attempts—all unsuccessful—to amend Section 101(2) to require that the writing precede creation of the work in question. Senator Cochran unsuccessfully introduced such legislation in 1982, 1983, 1986, 1987 and 1989. *See* S. 2044, 97th Cong., 2d Sess. (1982); S. 2138, 98th Cong., 1st Sess. (1983); S. 2330, 99th Cong., 2d Sess. (1986); S. 1253, 101st Cong., 1st Sess. (1989). That proposed amendment, which provoked substantial opposition during legislative hearings, would have expressly required a writing "before commencement of the work."

Congress' repeated failure to enact the proposed amendment is persuasive evidence that Section 101(2) contains no prior writing requirement. *See Monessen S.W. Ry. v. Morgan*, 486 U.S. 330, 339 n.8 (1988); *Blue Chip Stamps v. Manor Drug Stores*, 421 U.S. 723, 732 (1975). Indeed, proponents of the legislation argued that the prior writing requirement was necessary precisely because after-the-fact writings *were the norm* in the publishing industry under Section 101(2) as enacted in 1976.[5]

There is no merit to petitioner's argument that the Second Circuit's decision fails to respect the careful compromise reflected in Section 101(2). That compromise was achieved by specifying the categories of work by independent contractors eligible for work-for-hire status. When a work is made for hire, the purchaser, or commissioning party, obtains the rights to the renewal term as well as the initial copyright term. Creators were protected by limiting the *types* of works in which publishers could obtain, and creators could thus bargain away, these rights. Unless a work was within one of the statutory categories, that work simply could not be a work for hire, and the independent contractor thus could not bargain away the right to recapture copyright at the end of the first term under any circumstances. But Congress also recognized that publishers had a legitimate

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[5] *A Bill to Amend The Copyright Law Regarding Work for Hire: Hearing on S. 2044 Before the Comm. on the Judiciary, United States Senate*, 97th Cong., 2d Sess. 1, 26 (1982) (describing regular practice of New York Times to use after-the-fact writings to confirm work for hire relationships with regular contributors); *A Bill to Amend the Copyright Law Regarding Works Made for Hire: Hearings on S. 1253 Before The Subcomm. of Patents, Trademarks and Copyright of the Senate Comm. on the Judiciary*, 101st Cong., 1st Sess. 195, 675 (1990) (statement by President of Association of American Publishers that change in current practice regarding confirmatory writings under Section 101(2) would cause serious administrative problems).

interest in acquiring the right to recapture renewal rights in works falling within the categories specified in the statute, and enabled them to bargain with independent contractors to obtain these rights.

When this Court referred to the need to respect the congressional compromise underlying Section 101, *see Community For Creative Non-Violence v. Reid*, 490 U.S. 730, 748 (1989), it was this compromise to which the Court referred. The overly broad construction some courts had given to Section 101(1)'s definition of "employee" had effectively allowed the works of independent contractors to be treated as works for hire even though they did not fall within any of the statutory categories of Section 101(2), by the expedient of reclassifying independent contractors as "employees" whenever the publisher exercised actual control over the content of the work in question.

The Second Circuit's decision in this case in no way threatens that compromise. To the contrary, it is petitioner's interpretation of Section 101(2) that threatens Congress' objectives by placing artificial obstacles in the way of work-for-hire relationships that are entirely permissible because they involve a category of works expressly eligible for work-for-hire status under the statute.

The commentators are generally in agreement with the Second Circuit's interpretation of Section 101(2) because the requirement of a prior writing simply does not conform to the practical realities of the magazine industry. Petitioner's own expert testified at trial that there were situations in which a subsequent writing could properly confirm a prior agreement that a work would be considered made for hire. (A-938-40, 977-80). He made the same point in his published treatise:

> The trouble, of course, is that, in the real world, publishers and editors frequently deal informally with writers, artists and photographers. The telephone, and not a "written instrument" is the means by which

> the assignment is made and by reason of which the work is performed. Under these circumstances, it would seem that a court should be willing to accept a retroactive recitation that the work was intended to be a work made for hire where such a work made for hire relationship was tacitly contemplated.

2 E. Gabriel Perle & John Taylor Williams, *The Publishing Law Handbook*, § 15.03(g), at 15-23 (2d ed. 1992).[6]

The Nimmers have similarly criticized a rigid prior writing rule because it will often operate to frustrate the intent of the contracting parties, *and* to jeopardize market predictability:

> [O]ne can imagine claims involving parties each of whom knew of the unanimous intent among all concerned that the work for hire doctrine would apply, notwithstanding that some of the paperwork remained not fully executed until after the creation of the subject work. In that latter circumstance, the bright line rule [stated in *Schiller*] could frustrate the intent of the parties, and cloud rather than serve the goal of certainty.

1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 5.03[B][2][b], at 5-35 to -36 (1995).

Especially when weighed against these important practical considerations, *Schiller & Schmidt*'s broad theoretical concerns about market predictability are vastly overstated, and in many circumstances flat wrong. For example, to some extent, all statutes of frauds limit alienability because a buyer may be unable to resell the purchased item until a written instrument validates the initial purchase. But the buyer can solve that problem by insisting on a

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[6] The petition for certiorari quotes a contrary statement by Mr. Perle on this issue (*see* Pet. at 51). The quoted statement is from the 1993 supplement to the treatise quoted in the text accompanying this footnote. At the time of the second edition of the treatise, Mr. Perle had not yet testified as an expert for petitioner in this case. The supplement, which contains the contrary statement, was published after he testified as an expert for petitioner.

prompt confirmatory writing, and will have every incentive to do so. For such reasons, the law does not interfere with the parties' intent by invalidating the transaction unless a writing is executed at the time of the initial oral agreement. There is no reason why the result should be different here.

III. THE SECOND CIRCUIT'S DECISION IS NOT FINAL, AND THE FACT-FINDING ORDERED ON REMAND COULD AVOID THE NECESSITY FOR RESOLVING OR COULD HAVE AN IMPORTANT BEARING ON THE QUESTION PRESENTED.

Review is also unwarranted at this time because the Second Circuit remanded the case to the district court for further factual development. This lack of finality is a sufficient reason to deny the petition. *See Brotherhood of Locomotive Firemen and Enginemen v. Bangor & Aroostook R.R.*, 389 U.S. 327, 328 (1967) ("because the Court of Appeals remanded the case, it is not yet ripe for review by this Court"); *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 257-58 (1916); *Virginia Military Inst. v. United States*, 113 S. Ct. 2431 (1993) (opinion of Scalia, J. respecting denial of certiorari).

Review is particularly unwarranted at this time because the additional findings required by the court of appeals could well have a bearing on the proper resolution of the question presented in the petition. If the court concludes that Playboy was not the motivating factor in creation of the works in question, then the question presented in the petition will be entirely hypothetical. Alternatively, more detailed findings about the nature of the relationship between Nagel and Playboy may well provide further support for the Second Circuit's approach.

IV. THE DECISION IN THIS CASE DOES NOT EVEN ARGUABLY CONFLICT WITH THE NINTH CIRCUIT'S DECISION IN *KONIGSBERG INTERNATIONAL INC. v. RICE.*

Petitioner also makes a half-hearted argument that the Second Circuit's decision conflicts with the Ninth Circuit's decision in *Konigsberg Int'l Inc. v. Rice*, 16 F.3d 355 (9th Cir. 1994). (*See* Pet. at 56-57). *Konigsberg* involved the writing requirement of a *different* section of the Act, Section 204(a), which applies to transfers.

The facts of *Konigsberg* were truly unique. An author, Anne Rice, had agreed with two movie producers to produce a story outline, which the author would exploit by turning into a novel and which the producers had a two-year license to exploit by turning into a movie. 16 F.3d at 356. No written contract was ever signed. The author produced the story outline and was paid by the producers. The producers, however, did not make the movie within the two-year period. After the author's novel became a bestseller, the movie producers sought a declaratory judgment that they retained movie rights. The district court dismissed the complaint for failure to plead the existence of a written memorandum of transfer required by Section 204(a). Thereafter, the author wrote what the Ninth Circuit described as an "indignant letter" to the producers, claiming that "these contracts, though never signed, were honored to the letter." 16 F.3d at 356. The producers then sought reconsideration pursuant to Fed. R. Civ. P. 60(b), on the ground that this after-the-fact letter satisfied Rule 204's writing requirement.

On these unique facts, the Ninth Circuit held that the author's letter "—though ill-advised—was not the type of writing contemplated by Section 204 as sufficient to effect a transfer of the copyright." 16 F.3d at 357. That decision is not even in tension, much less in conflict, with the Second Circuit's ruling in this case. *Konigsberg* did not involve works for hire under Section 101 of the Act, and

thus cannot conflict with the Second Circuit's interpretation of Section 101(2)'s writing requirement. Furthermore, even if the Ninth Circuit's interpretation of Section 204's writing requirement applied here, the outcome would be no different. The Ninth Circuit held that a Section 204 writing must "be executed more or less contemporaneously with the agreement." The legend agreements at issue in the present case would therefore satisfy the Ninth Circuit's timing requirement.

V. THE SECOND CIRCUIT'S DECISION DOES NOT REMOTELY REQUIRE AN EXERCISE OF THIS COURT'S SUPERVISORY POWERS.

The consistent understanding between Nagel and Playboy that Nagel's contributions to Playboy would be considered works for hire renders this case decisively different from the Seventh Circuit's decision in *Schiller & Schmidt*, and greatly weakens petitioner's argument on the merits. Petitioner is thus compelled to attack the Second Circuit's ruling on that point, even though it raises an entirely fact-bound question of concern only to the particular parties in this case.

In any event, the Second Circuit's ruling was plainly correct. The court concluded that the legend agreements themselves provided strong evidence of a consistent understanding between Nagel and Playboy Magazine that Nagel's contributions to Playboy would be considered works for hire. The historical facts on which the Second Circuit relied in drawing this factual conclusion are undisputed. Each and every legend agreement signed by Nagel or his agents after August, 1979 (well over a hundred in total) contained a statement that his contributions were to be considered works for hire, and he continued to contribute to Playboy without ever complaining about or seeking to change that understanding in any way. During Nagel's lifetime, he never acted in a manner inconsistent with that understanding. He never sought to publish any of his contributions to Playboy in

any other manner, though he did publish many other works during the period in question. Nagel's contributions to Playboy continued to serve the same function month after month—illustrating the Advisor, Forum and After Hours features in *Playboy* magazine. Nagel continued to be paid for his work whether *Playboy* published it or not.

These undisputed facts provide an ample foundation for the Second Circuit's conclusion that works produced after January 1, 1978 (the effective date of the 1976 Copyright Act) were intended to be works for hire. Indeed, the Second Circuit also found—and the petition for certiorari *does not dispute*—that the works Nagel produced for *Playboy* before January 1, 1978 were works for hire, and the evidence in support of a work-for-hire relationship was even stronger after that date than before.[7]

The Second Circuit simply drew the obvious inference from these undisputed facts—that Nagel and Playboy mutually understood that Nagel's contributions would be considered works for hire. In so doing, the Second Circuit did not reverse any particular finding of historical fact rendered by the district court, and certainly did not take issue with any finding based on demeanor evidence. Thus, it is simply not correct that the Second Circuit failed to abide by Fed. R. Civ. P. 52(a).

Moreover, the district court's findings, far from being "soundly based," (*see* Pet. at 60), were clearly and obviously erroneous in several critical respects. To begin with, the district court found that Playboy never paid Nagel when his works were not published, but the court inexplicably ignored voluminous undisputed documentary evidence, including cancelled checks, that *Playboy* paid

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[7] In this Court, petitioner does not dispute in this Court that Nagel and Playboy had a work-for-hire relationship prior to 1978, and that this relationship continued on the same terms after 1978.

Nagel a "turn down" fee whenever his submitted works were not published. This finding, as the appeals court properly held, was clearly erroneous. Moreover, the district court applied the wrong legal standard in assessing whether Nagel's works were "specially ordered or commissioned" within the meaning of Section 101(2), and thus its factual findings on that issue were clearly erroneous as well. And the district court completely ignored the more than 100 contemporaneous legend agreements in which Nagel or his agents confirmed that his contributions to *Playboy* were to be considered works for hire. Thus, the court of appeals had ample reason to conclude that the district court's factual findings were clearly erroneous.

CONCLUSION

The petition should be denied.

Respectfully submitted,

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